



The 2015 Koda Capital Australian Giving Review



An exploration of Australian giving, designed to help those interested in philanthropy understand the giving landscape. The Review sets out ideas to provoke discussion about how giving can be encouraged in Australia.

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Executive Summary

This Review combines recently released Australian Tax Office (ATO) data on Australian giving with information gathered by Koda from a range of sources in Australia and overseas. In addition to presenting the data, the Review highlights key findings and trends. With an eye to the future, the Review also sets out the case for giving as well as some of the ideas that might help grow philanthropy in Australia.

Specific observations from the Review

Growth in deductible giving is sluggish and we are not growing the number of givers

Over the last 30 years, the proportion of Australian individuals claiming a gift or donation is stagnant and remains below the level it reached in 1985-86. Australians are still only giving 0.32% of taxable income and growth in the overall amount claimed is underwhelming.

A higher proportion of females give but males give more

Female Australians are more likely to give than their male counterparts, even though male incomes are known to be higher. Male Australians give more on average than their female counterparts, reflecting perhaps access to higher income and a society where businesses and sizeable investment assets are still more likely to be owned by males. Asset ownership is relevant insofar as larger gifts often result from the sale of a business or other asset.

New South Wales appears to be taking Victoria's title as the home of Australian philanthropy

New South Wales comes out on top when looking at which state or territory gives the most money. It is also home to the highest number of Private Ancillary Funds (PAFs), with 43% of the national total.

A small number of Australians dominate the giving landscape

67% of the total amount claimed in 2012-13 was gifted by just 7.3% of the giving population. Relatively few Australians give more than \$1,000 per year, but this group is responsible for over two thirds of all deductible giving by individuals in this country.

Workplace giving is struggling to fulfil its potential

This simple, efficient style of regular giving is often made more attractive for employees by employers offering matched funding up to a capped level. Yet, participation rates for employers and employees alike remain low, with improvement prospects seeming to hinge on the success of new technology platforms that promise to better connect donors and supported charities.

Volunteering levels have fallen

Australia prides itself on being a nation of volunteers, so it concerns many that this activity appears to be in decline. Reported levels may pick up soon, thanks to a new definition of volunteering that now includes corporate volunteering hours, however this will do little to reassure those concerned with what is actually happening in the community.

Structured giving continues to grow in size and significance

More and more people are becoming aware of the benefits of structured giving and use of structured giving vehicles continues to grow. PAFs and Public Ancillary Funds (PuAFs) alone now receive 25% of all gifts claimed.

Australia's most generous philanthropist is a little-known American

Known for his frugality, Chuck Feeney owns neither a home nor a car and wears a \$15 watch, yet between 2001-2012 Mr Feeney gave approximately \$A590 million to Australian charities and non-profits through his Atlantic Philanthropies foundation. Chuck Feeney's philosophy and practice is an inspiration to many Australians. Through his Giving While Living campaign, Mr Feeney has encouraged more and more wealthy Australians to give significant amounts, which they are now starting to do not just privately, but publicly.

There are a number of reasons for Australians to give and a number of opportunities to grow giving in Australia

It may not be evident in the data, which paints a fairly negative picture, but there are a number of reasons to be optimistic about the future of giving in Australia. As a new generation of givers, enabled by technology and motivated to make a positive contribution, begins to make its mark, it will be interesting to see how giving evolves. A focus on youth is surely one way to build the base of Australia's giving pyramid.

*“A lot of wealthy people, they don't realize they have the alternatives of spending the money for good. If they knew it gives so much satisfaction, I wouldn't have to persuade them.” – **Chuck Feeney***

Giving Highlights

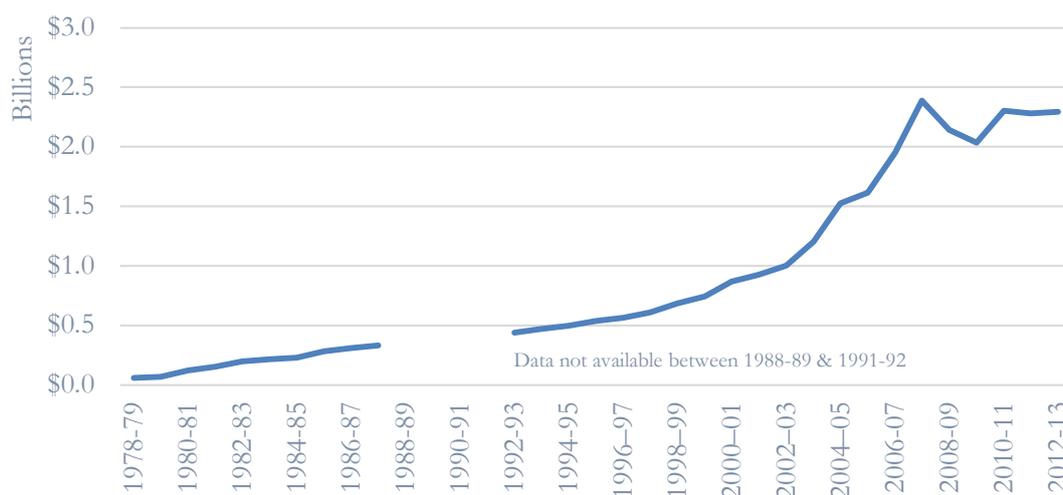
- In 2012-13, tax-deductible giving grew just 0.58% to \$2.29 billion (year on year)
- In 2012-13, giving to charities (including non-deductible gifts) amounted to 0.57% of Australian GDP
- Australians on average claimed 0.32% of their taxable income in tax-deductible gifts in 2012-13
- Those who claimed over \$1,000 in donations and gifts represented 7.3% of individuals donating, yet claimed 66.5% of the total dollar amount gifted in 2012-13
- Volunteering levels slumped from 36% in 2010 to 31% in 2014
- Over the past 20 years the proportion of taxpayers claiming a \$2 or more deduction for a gift has failed to get above 37% and has averaged 34%
- In 2012-13, \$28 million was raised through workplace giving, up 3.7% from the previous year's \$27 million. Only 4.9% of employees offered workplace giving actually took up the opportunity
- The proportion of female individuals claiming a tax-deduction was 37.1% (2.27 million people) compared to males at 34.2% (2.28 million people) in 2012-13
- According to Giving USA, in 2014, United States giving was up 7.1% (year on year) to US\$358.38 billion. Growth in United States giving since the Global Financial Crisis has far outpaced growth in Australian giving
- Australia ranked 6th in The Charities Aid Foundation's 2014 World Giving Index. The Index covered 135 countries and ranked responses to three questions relating to the donation of money, helping a stranger and volunteering time
- In 2012-13, individuals in the 'Arts and Recreation Services' industry group claimed the highest proportion of their taxable income at 0.89%
- New South Wales recorded the highest average gift per giver of all the states and territories at \$611
- 25% of all deductible gifts claimed in 2012-13 (by value) were gifts to either a PAF or PuAF
- United States-based foundation, The Atlantic Philanthropies, has distributed approximately AUD\$590 million to Australian charities alone, making it Australia's most significant philanthropic funding body, by dollars invested

An Overview of Australian Giving

Growth in tax-deductible giving is negligible

Anyone who expected Australian giving to shake off the Global Financial Crisis and resume its growth charge will be disappointed by the latest figures released by the ATO. They revealed a mediocre year for giving in Australia with tax-deductible giving only rising 0.58%, from \$2.28 billion in 2011-12 to \$2.29 billion in 2012-13. These numbers are particularly disappointing given growth in other areas during the same period: Growth Domestic Product (GDP) grew 2.5%, the Consumer Price Index (CPI) grew 2.4% and the ASX All Ords Share Price Index grew 15.5%.

Tax-Deductible Giving in Australia



Source: ATO, Koda Capital

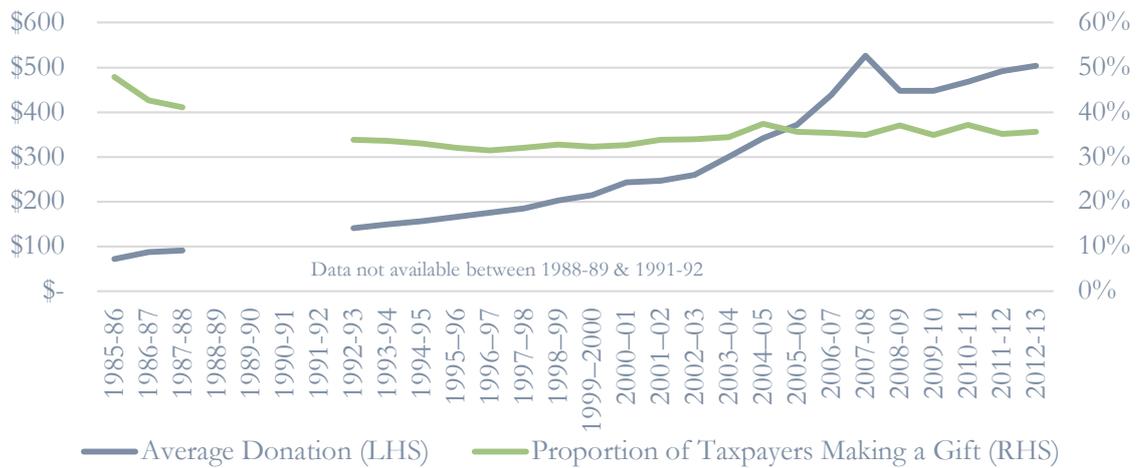
The average gift size grew from \$492 in 2011-12 to \$504 in 2012-13, an increase of 2.4% - broadly in line with inflation. The number of individuals claiming a tax-deduction fell from 4.63 million in 2011-12 to 4.55 million 2012-13, a 1.8% decrease. The increase in average gift size from those donating has largely driven the dollar increase in Australian giving; in the 1985-86 tax year the average gift size was \$72. The average gift claimed in 2012-13 still failed to reach its 2007-08 peak of \$526.

Participation rates do not support growth in giving

In 1985-86, there were 8.2 million taxpayers and 3.9 million (47.9%) of them claimed a tax-deduction for a gift to charity. In 2012-13, there were 12.8 million taxpayers and 4.5 million (35.6%) of them claimed a tax-deduction for a gift to charity. This represents a small increase on 2011-12 number of 35.1%. It is disappointing that only one in three individual taxpayers claim a tax-deductible gift. Over the past 20 years the proportion of taxpayers claiming a deduction has failed to get above 37.4% (2004-05) and has averaged 34.2%. This represents a great challenge for

philanthropic leaders in Australia. The challenge is two-fold: firstly, we must understand what discourages people from giving, and secondly we must develop effective tools and initiatives to remove barriers and encourage giving.

Average Gifts & Proportion of Taxpayers Making a Gift

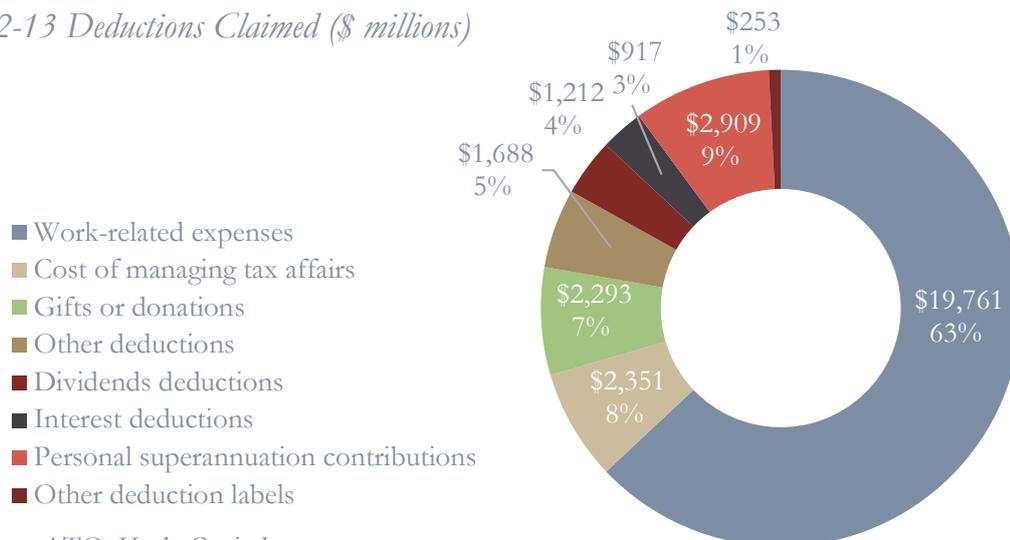


Source: ATO, Koda Capital

Gifts and donations represent a fraction of all deductions claimed

Individual taxpayers claimed more deductions for managing their tax-affairs (\$2.4 billion) than they did for gifts or donations (\$2.3 billion). Gifts and donations only amounted to 7% of total deductions claimed. Work-related expenses represented 63% of all deductions claimed. Work-related expenses represented 63% of all deductions claimed.

2012-13 Deductions Claimed (\$ millions)



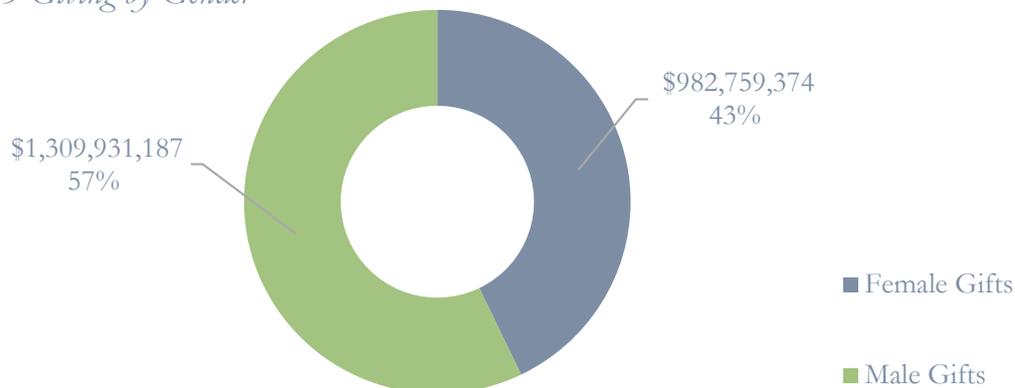
Source: ATO, Koda Capital

Not all gifts made to charities are tax-deductible. The 2012-13 Australian Bureau of Statistics (ABS) data showed that Non-Profit Institutions received a fraction under \$4 billion from individuals through donations, bequests and legacies. Unlike the ATO data the ABS data includes non-deductible gifts to groups lacking Deductible Gift Recipient (DGR) status. Despite a lack of DGR status, religious organisations received 37.8% (\$1.51 billion) of all gifts. This highlights that whilst tax-deductibility might influence the timing and amount of a gift, it is not a prerequisite for giving.

Males claim more than females

When it comes to gender, males gave 57% of the total \$2.29 billion donated in 2012-13. Of the 4.5 million taxpayers that claimed a tax-deductible gift, 49.8% were female.

2012-13 Giving by Gender

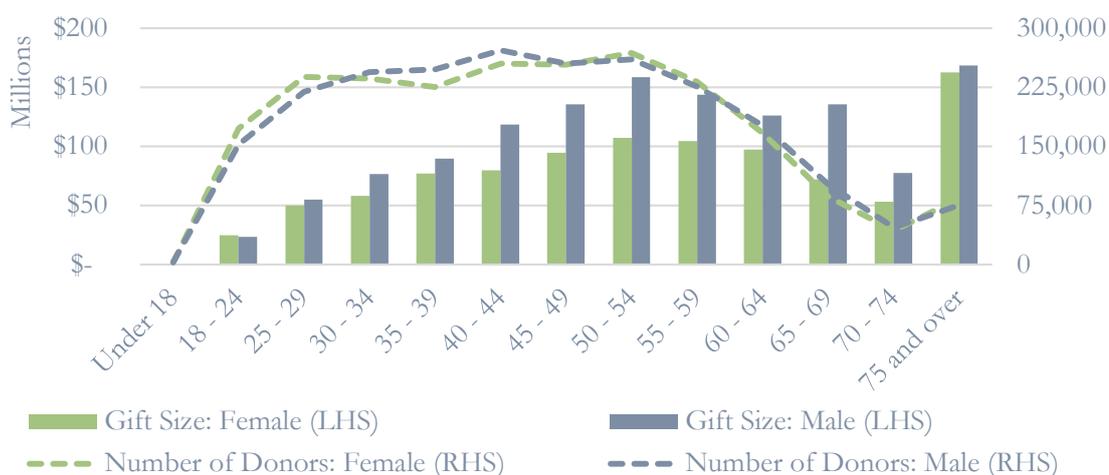


Source: ATO, Koda Capital

Male giving becomes more significant in peak earning years

The number of donors follows a similar trajectory throughout the age brackets. From the age of 40 to 74 there is a significant disparity between the amounts given by males and females, with the total given by males far exceeding the total given by females, despite similar numbers of males and females giving.

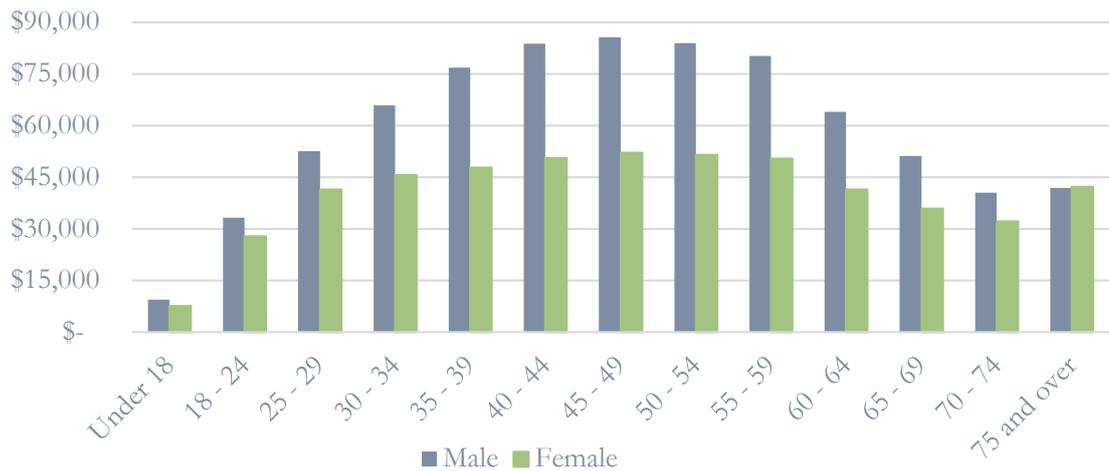
2012-13 Donations Made & Number of Donors by Gender & Age



Source: ATO, Koda Capital

The chart above can be interpreted in a number of ways. Do males give more because they earn more and because they are more likely to be asset owners? Do females give more beyond 75 years of age because they live longer and inherit assets late in life? The chart below supports these notions and demonstrates the discrepancy between males and females when it comes to average taxable income per taxpayer.

2012-13 Average Taxable Income per Taxpayer by Gender

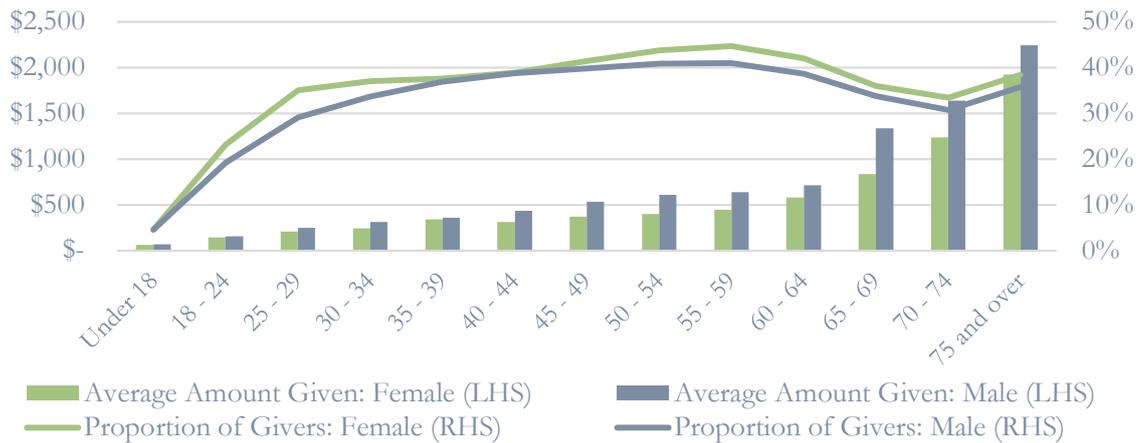


Source: ATO, Koda Capital

A higher proportion of females than males claim deductible gifts

The proportion of female individuals claiming a tax-deduction was 37.1% (2.27 million individuals) compared to males at 34.2% (2.28 million individuals). Females also claimed 0.37% of their taxable income compared to 0.30% for males. The female population is likely to control an increasing proportion of Australian wealth in years to come, boding well for giving in Australia.

2012-13 Proportion of Givers & Average Donation by Gender & Age



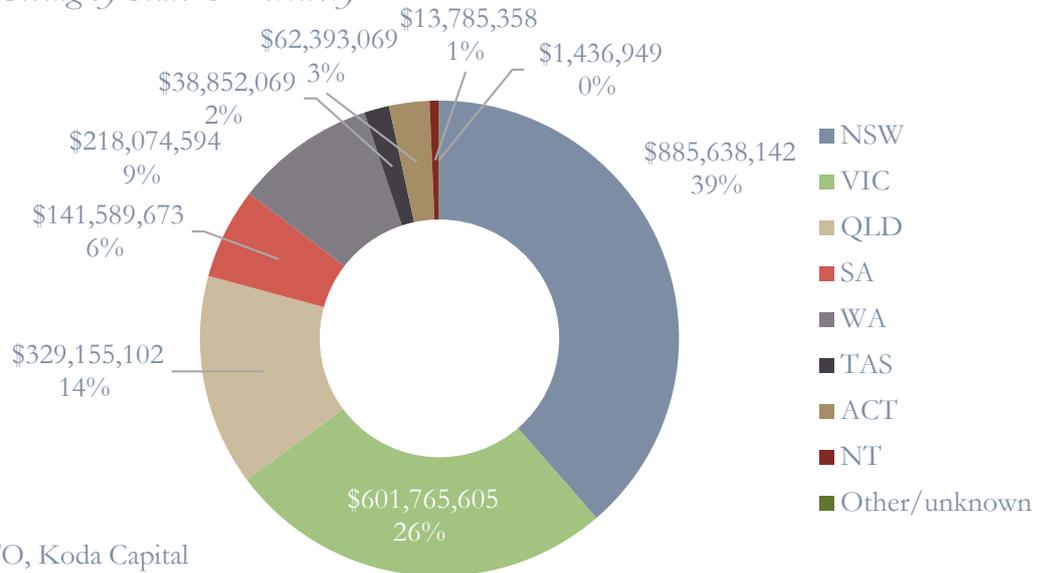
Source: ATO, Koda Capital

The average gift in 2012-13 for males was \$574 compared to \$434 for females, again highlighting a possible link between giving and taxable income.

New South Wales leads the way

New South Wales residents accounted for 32% of total taxable income yet claimed 38.6% of tax-deductible gifts and donations in Australia by dollar value - with individuals in that state claiming a total of \$885.6 million.

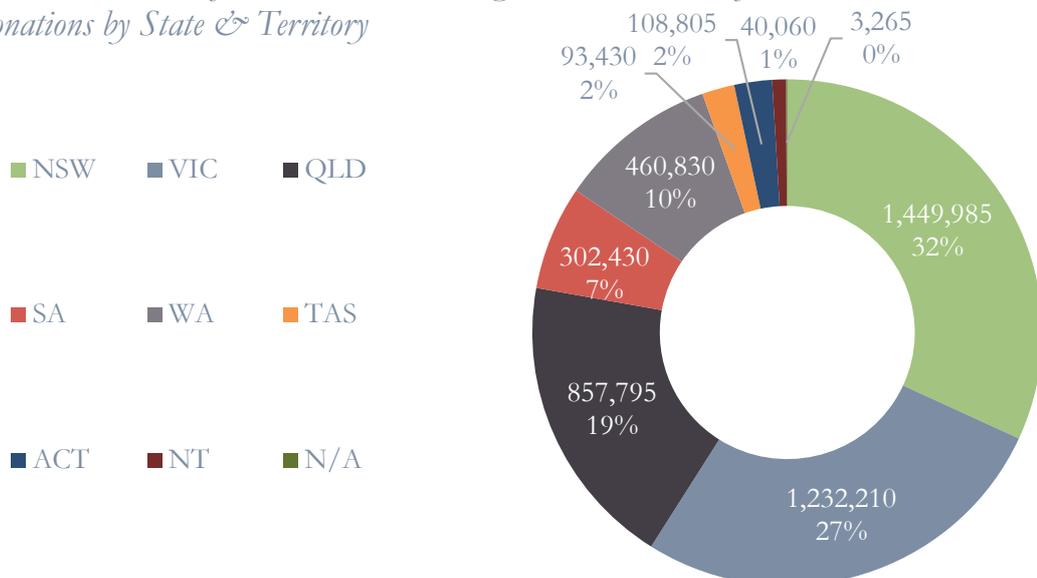
2012-13 Giving by State & Territory



Source: ATO, Koda Capital

New South Wales had 31.9% of givers in Australia, with 1.4 million individuals claiming a gift, the most of any state or territory (New South Wales residents represent 31.4% of taxpayers). Victoria came in second with 1.2 million givers, 27.1% of the nation's givers (Victorian residents represent 24.8% of taxpayers).

2012-13 Number of Individuals Claiming a Tax-Deduction for Donations by State & Territory



Source: ATO, Koda Capital

The Australian Capital Territory can give money - as well as collect and spend it

Whilst many Australians are pre-occupied with how much money they give to Canberra, the people of the Australian Capital Territory have been busy giving money away. The Australian Capital Territory boasted the greatest proportion of taxpayers claiming a donation, at 45.3%. Victoria came in second with 38.8%, followed by New South Wales at 36.2%. All other state and territories fell below the national average of 35.6%.

2012-13 Proportion of Tax-Payers Claiming a Tax-Deduction for Donation by State & Territory



Source: ATO, Koda Capital

New South Wales givers claim the most on a per-donor basis

In 2012-13, New South Wales recorded the highest average gift of all the states and territories at \$611, closely followed by the Australian Capital Territory at \$573. All other state and territories fell behind the national average gift of \$504, including Victoria at \$488. Individuals in the Australian Capital Territory gave the highest proportion of their taxable income at 0.40% followed by New South Wales at 0.39%. Individuals in the Northern Territory, Western Australia and Queensland gave only 0.19%, 0.23% and 0.24% of their taxable income, respectively.

2012-13 Average Gift by State & Territory

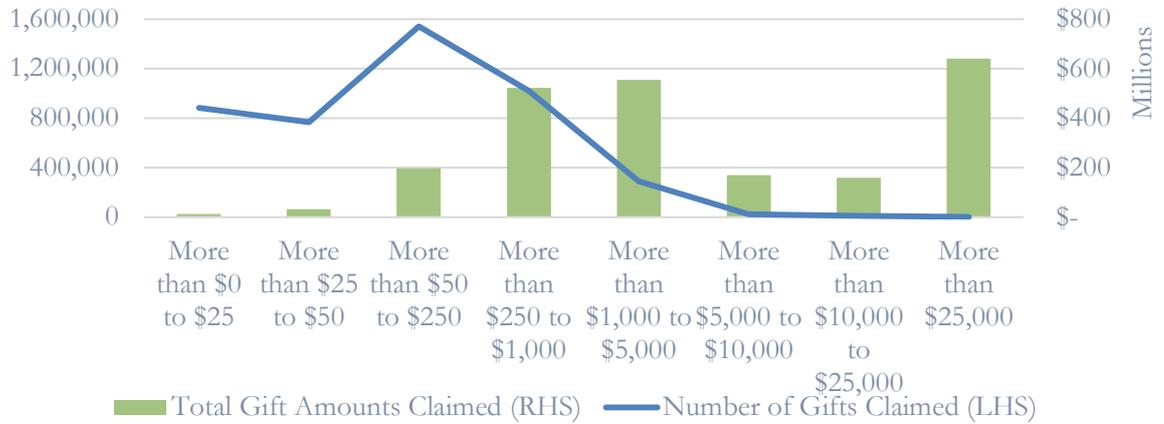


Source: ATO, Koda Capital

A minority of individuals give two thirds of all dollars claimed

4,765 Australians gave more than \$25,000 in 2012-13, totaling \$640 million in gifts. 1.5 million Australians gave between \$50 and \$250, totaling \$199 million. Those who claimed over \$1,000 represented 7.3% of individuals donating, yet claimed 66.5% of the total dollar amount gifted.

2012-13 Number of Givers by Gift Size & Amount Given

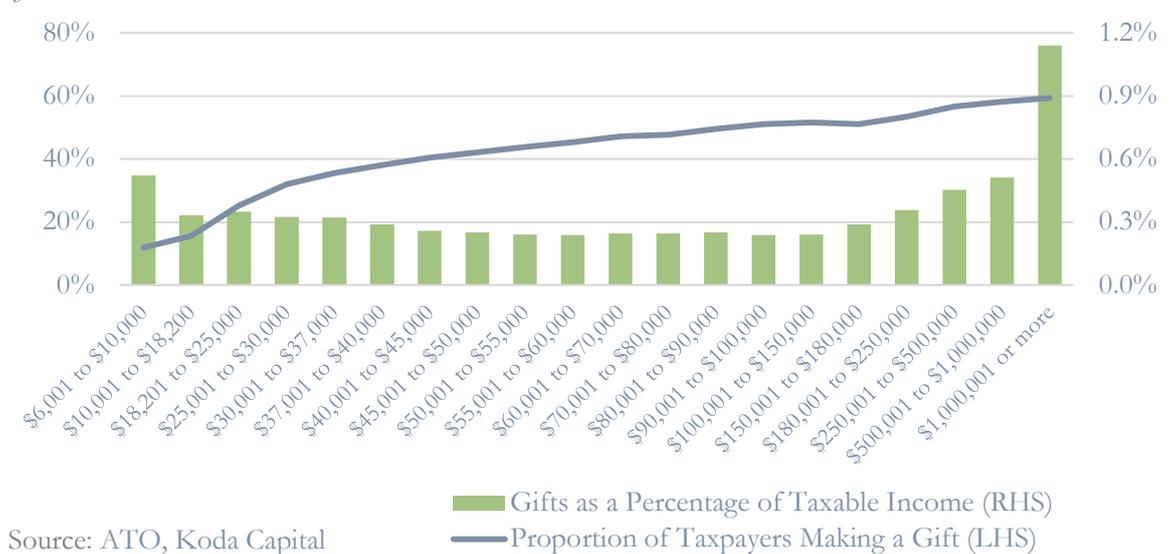


Source: ATO, Koda Capital

Australians claimed gifts equivalent to only 0.32% of their taxable income

In 2012-13, Australian taxpayers on average claimed 0.32% of their taxable income in tax-deductible gifts. Those earning over \$1 million (9,155 individuals) in taxable income claimed 1.1% of their taxable income, down from 1.5% in 2011-12. Disappointingly, only 59.3% of individuals earning over \$1 million in taxable income claimed a \$2 tax-deduction. The giving of larger sums via trusts and corporate entities may go some way to explaining this result, but the question must still be asked why the proportion is so very low.

2012-13 Taxable Income Brackets - Proportion of Givers and Percentage of Taxable Income Donated

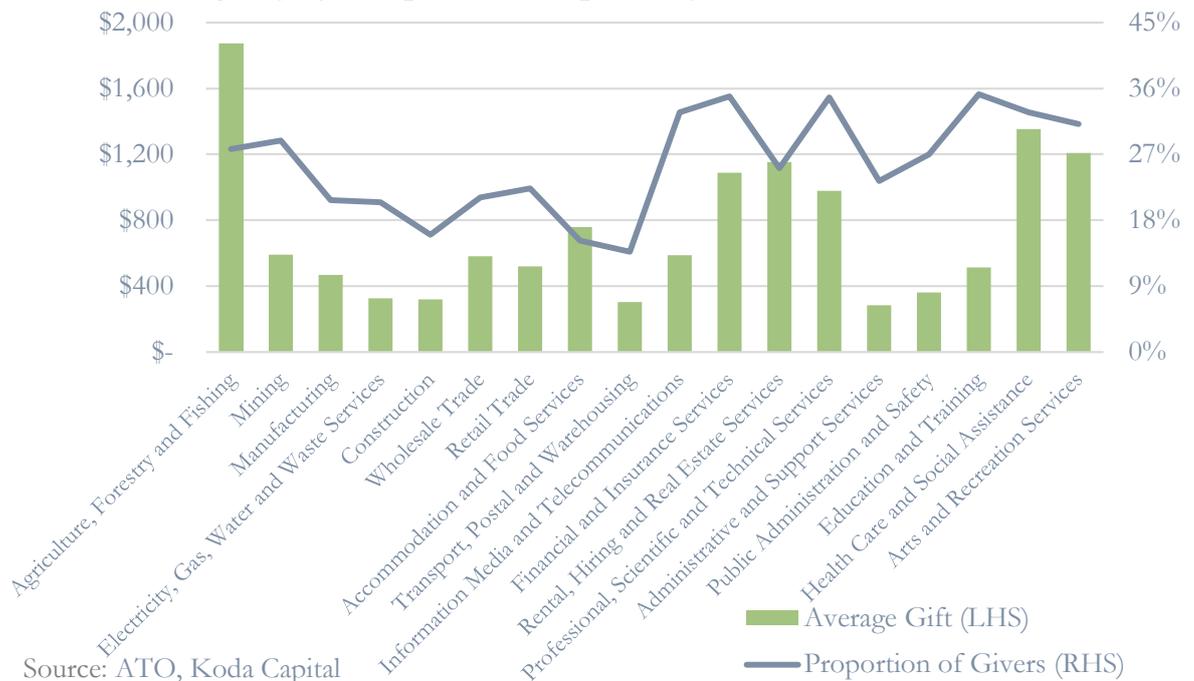


Source: ATO, Koda Capital

Amounts given vary widely according to occupation

Individuals working in the ‘Agriculture, Forestry and Fishing’ industry group have the highest average gift claimed at \$1,872. The ‘Education and Training’ industry group has the highest proportion of taxpayers claiming a gift at 35.2%. Individuals in the ‘Arts and Recreation Services’ industry group claimed the highest proportion of their taxable income at 0.89%, followed by the ‘Agriculture, Forestry and Fishing’ industry group at 0.76%. Individuals in the Construction industry claimed only 0.12% of their taxable income.

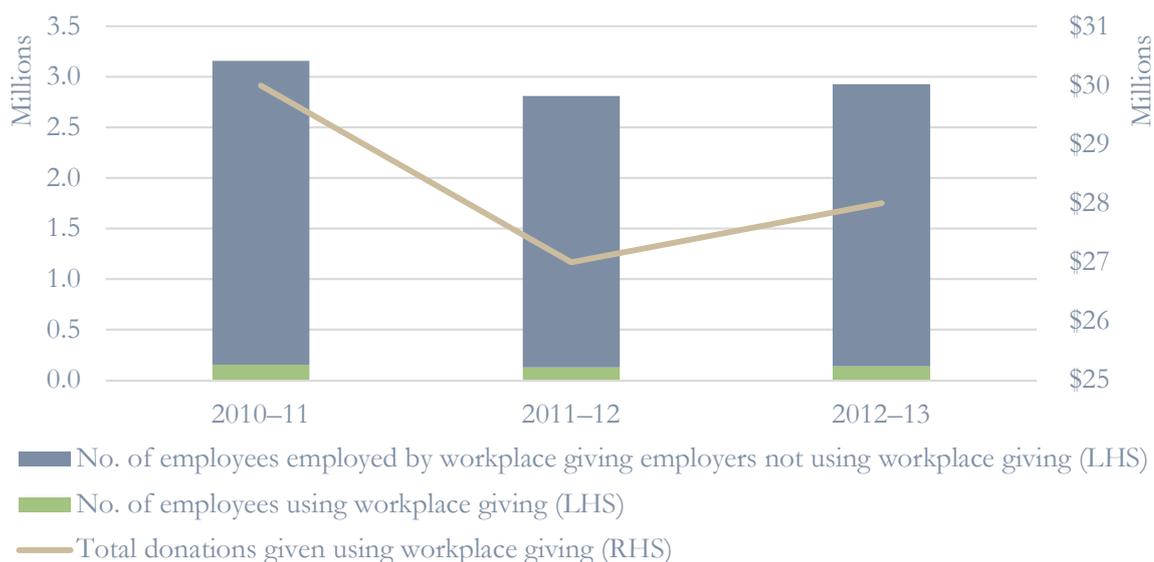
2012-13 Average Gift by Occupation & Proportion of Givers



Workplace giving continues to disappoint

In 2012-13, \$28 million was raised through workplace giving, up 3.7% from the previous year’s \$27 million. The number of employees using workplace giving jumped 8.5% and the number of employees offered workplace giving rose 4.1%. These numbers are heading in right direction after falling drastically from 2010-11, when workplace giving accounted for \$30 million in gifts. However, with only 4.9% of the employees offered workplace giving actually taking it up, the numbers remain disappointingly low, especially when you consider that many employers offer employees gift-matching as a further incentive to participate.

Workplace Giving: Participation & Total Given



Source: ATO, Koda Capital

Workplace giving is widely viewed as an effective way to grow Australian giving, yet despite a concerted effort by employers, providers and philanthropists, it has failed to live up to its promise. One of the challenges of workplace giving is the connection between the recipient charity and giver. Historically, for this reason, it has been difficult for charities to engage donors and demonstrate impact. At Koda we believe successful fundraising is built around relationships, trust and demonstrating effectiveness. For workplace giving to grow, we believe programs must be developed that facilitate much better connectivity and communication between donors and charities.

A significant amount of time and money is being invested in infrastructure such as the *Good to Give* platform in an attempt to tackle this issue.

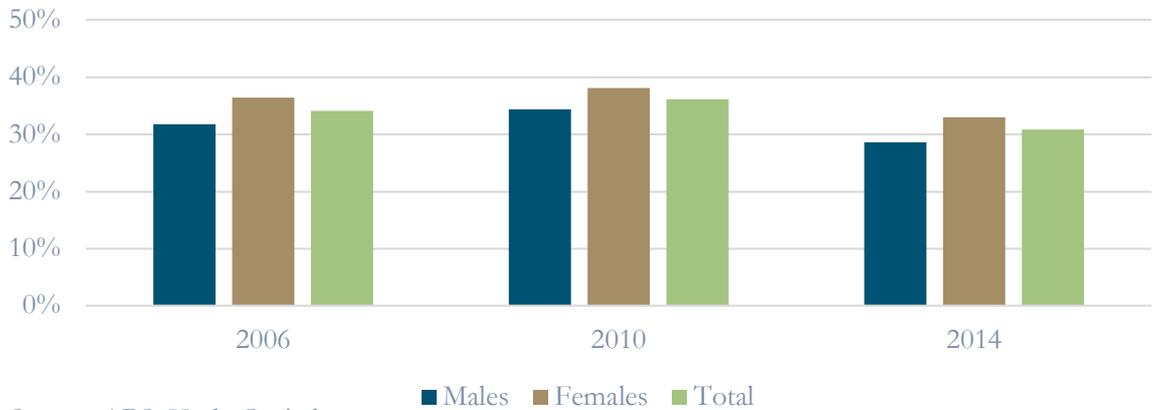
Other thoughts on growing workplace giving include:

- Improving the relationship between charity and donor;
- Allowing donors to easily roll over arrangements when they change employers;
- Making it as simple as possible for new employees to sign up to workplace giving;
- Creating workplace giving champions within organisations;
- Encouraging corporate executives to lead by example;
- Continuing to encourage employers to match employee gifts up to an agreed amount;
- Making it easy for small-to-medium enterprises to introduce workplace giving programs;
and
- Introducing tax-incentives for employers who offer matched giving programs.

Volunteering appears to be in decline

In 2014, the ABS General Social Survey (GSS) (sample size 12,932 dwellings) found 31% of the Australian population (5.8 million people) took part in voluntary work over the previous 12 months. This equated to 743 million hours of work. In 2010, the GSS found that 36% (6.1 million) of adults in Australia volunteered. This drop in the proportion of individual volunteering goes against the grain for a country that has held itself out as a proud volunteering nation.

Volunteering in Australia

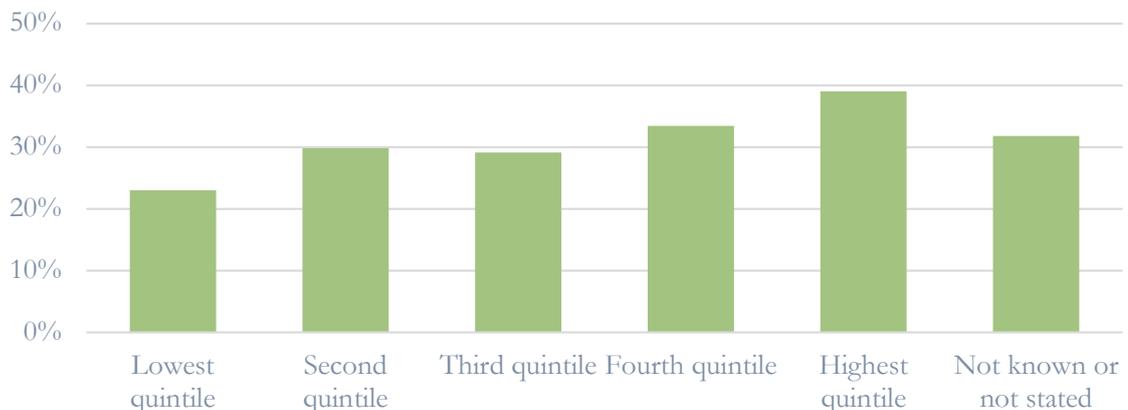


Source: ABS, Koda Capital

Over 70.1% of those that volunteered reported that their parents had done voluntary work. Helping others or the community was the most commonly reported reason for volunteering followed by personal satisfaction. Women again led the way in volunteering with 33.5% of females volunteering compared to 29.1% of males. The Australian Capital Territory had the highest proportion of volunteers at 36.8%, closely followed by South Australia with 36.7% and Tasmania at 36.6%. Queensland came a distant last with 26.9%.

In the capital cities volunteering totaled 29.9%, compared to 34.2% in other regions. As income levels rise so does the rate of volunteering, as illustrated by the chart below.

Volunteering & Equivalised Gross Household Income Quintiles - 2014

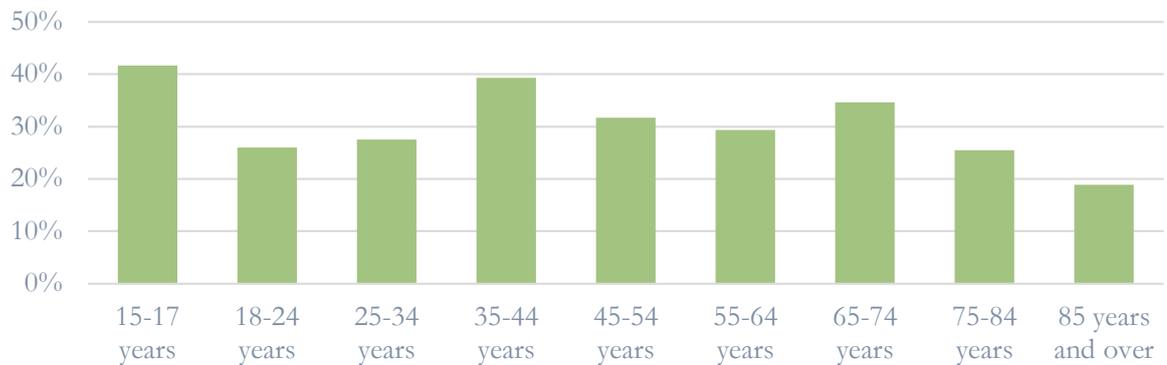


Source: ABS, Koda Capital

Community organisations should focus on older, experienced Australians

Only 27.4% of individuals retired from work volunteer. With a large proportion of the population entering (increasingly active) retirement, there is an opportunity for charities to capitalise on this relatively untapped resource. Encouragingly, 34.6% of those in the 65-74 age bracket volunteer time. Those aged between 15-17 years of age are setting the example for the other age brackets, with an impressive 41.6% volunteering.

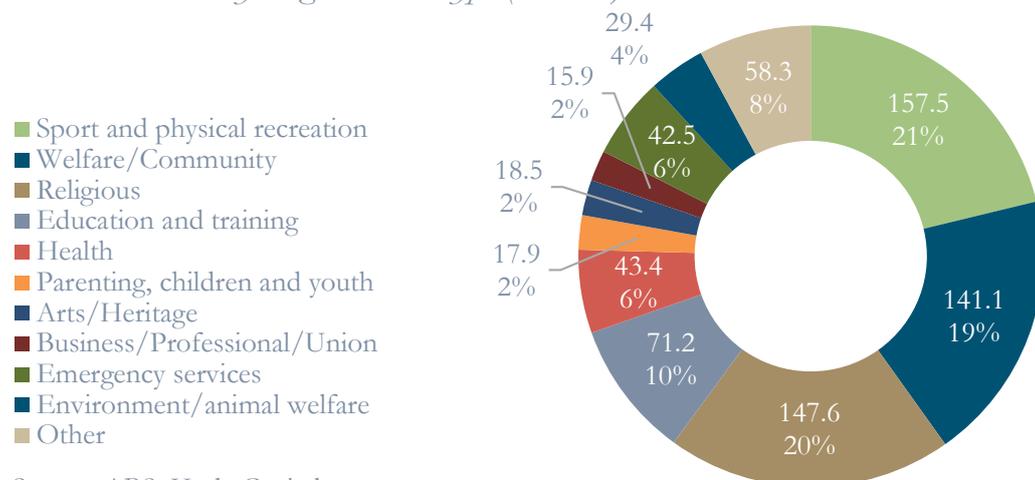
Proportion of People Volunteering by Age - 2014



Source: ABS, Koda Capital

The types of activities that predominately attract and rely on volunteers are sports and physical recreation (157.5 million hours), welfare & community groups (141.1 million hours) and religious organisations (147.6 million hours). Although animal welfare organisations rate well in surveys asking Australians which charities they most trust, this support does not translate into strong levels of volunteering.

Volunteer Hours by Organisation Type (millions)



Source: ABS, Koda Capital

In July 2015, Volunteering Australia announced a new definition of volunteering it hopes better captures contemporary volunteering activities such as online volunteering, spontaneous volunteering, corporate volunteering and social entrepreneurship. The new definition of volunteering is “time willingly given for the common good and without financial gain”. On the back of this, it will be interesting to monitor whether the ABS modernises the way they measure volunteering and how this might influence the data.

A brief overview of United States giving

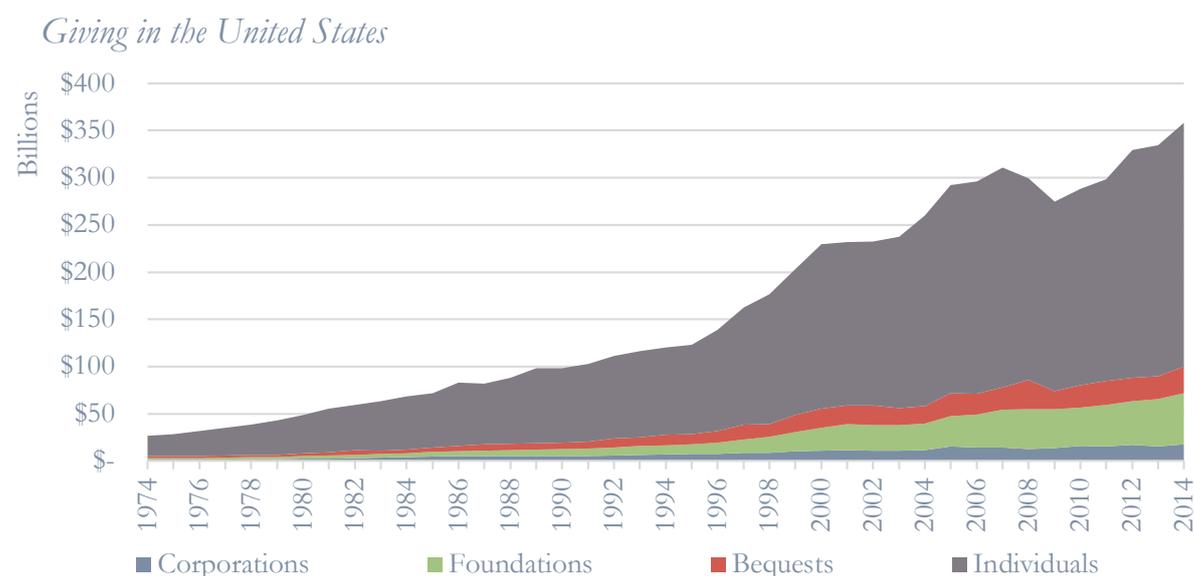
Despite the structural differences in Australia's political, cultural, tax and welfare systems, it is useful to understand the philanthropic landscape of other countries. The United States is particularly interesting to look at, because, unlike Australia, giving in the United States has bounced back very strongly since the Global Financial Crisis.

The United States is also interesting because it is a stand-out country for giving. In the 2014 CAF World Giving Index, the United States came equal first out of 135 countries*.

According to Giving USA, in 2014, giving was up 7.1% to US\$358.4 billion; individual giving jumped 5.7%; foundations gave 8.2% more; bequests were up 15.5%, and giving from corporations increased 13.7%. In 2013, giving represented 2.0% of United States GDP and 2.1% in 2014. Corporates gave 0.7% of pre-tax profits and individuals gave 2% of their disposable personal income.

By contrast, in Australia, the ABS data showed that the amount given to charity totaled \$A8.6 billion (including individual donations and bequests, business donations & sponsorships, grants from philanthropic trusts and other fundraising), a figure that amounted to 0.57% of GDP in 2012-13. Australian tax deductible-gifts on their own represent 0.19% of the 2012-13 real net national disposable income.

* The US ranked equal first, with Myanmar, a country that seems to owe its status to its significant Theravada Buddhist community, with its focus on *dana*, or charitable giving.



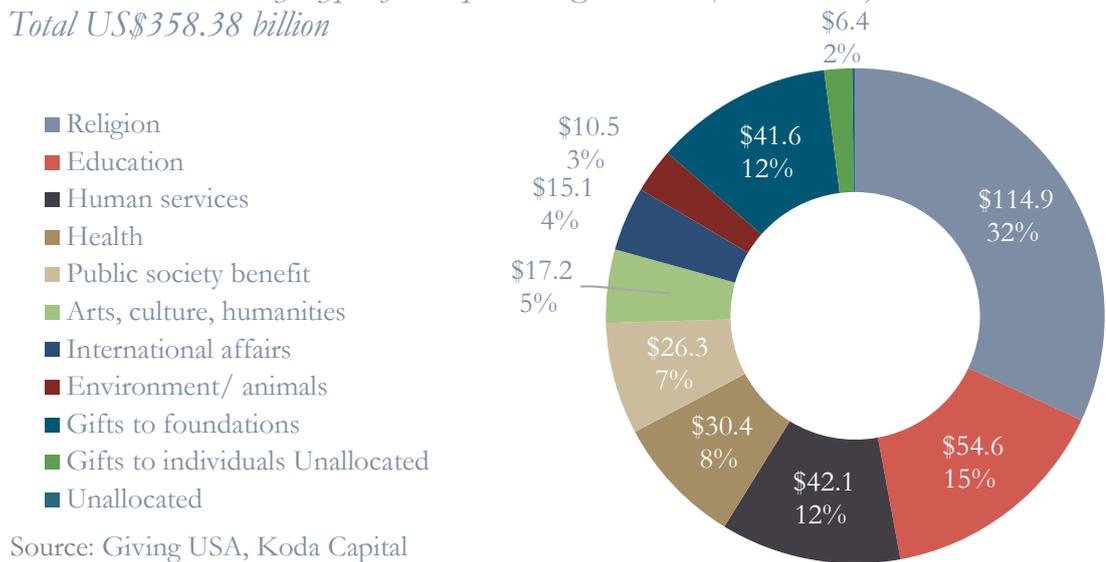
In the last three years, Australian education providers and medical research institutes have benefited from large public gifts. According to Giving USA, this scenario was mirrored in the United States in 2014, with education sector capital campaigns and medical research initiatives leading to several very significant gifts. It appears the transformative power of education is appealing to philanthropists around the world. It is notable that recent Australian successes seems to owe

something to the United States' approach to raising large philanthropic gifts – that is, the adoption of a highly professional, relationship-based approach to cultivating major donors.

In the United States in 1990, religious organisations received 50.6% (US\$49.8 billion) of gifts. By 2014, that number had dropped to 32.1% (US\$114.9 billion). This slide will surely alarm religious leaders and fundraisers not just in the United States, but around the world. As previously discussed, Australian individuals most recently gave 37.8% (\$1.5 billion) of their gifts to religious organisations. Is this number likely to fall in coming years and what, if anything, can be done by religious organisations to arrest the slide? These questions are particularly important for organisations looking to engage younger generations while simultaneously dealing with well-publicised reputational issues.

2014 Contributions by Type of Recipient Organisation (\$US billion)

Total US\$358.38 billion



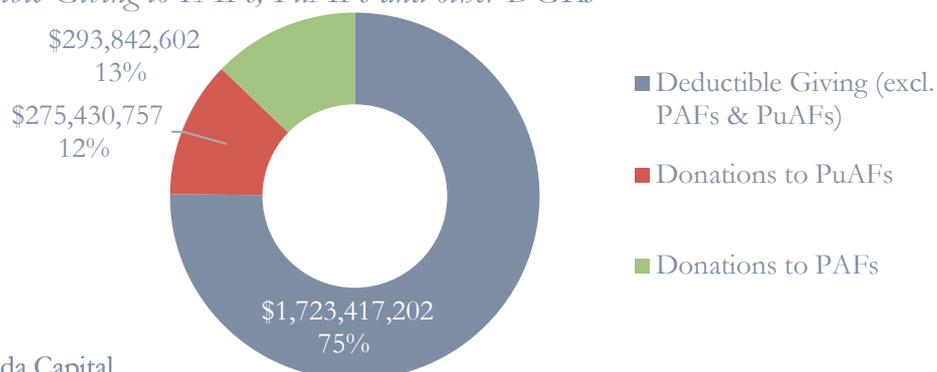
Source: Giving USA, Koda Capital

Structured Giving

A significant portion of deductible giving in Australia is done as structured giving. Structured giving is where a taxpayer donates to an entity with DGR status that exists to support other DGRs working actively in the community. PAFs and PuAFs are two of the best known vehicles for structured giving in Australia. In total, PAFs and PuAFs receive 24.8% of the value of all deductible gifts claimed, as shown in the pie chart below.

\$294 million was donated into PAFs in 2012-13, down 17% from the previous year's \$354 million. In 2012-13, donations into PAFs represented 12.8% of all tax-deductible gifts and donations into PuAFs represented 12% of all tax-deductible gifts. The PAF result is an impressive one, given it was achieved in a little over a decade. PAFs were only introduced (as Prescribed Private Funds) in 2001, whereas PuAFs have been in existence since 1963. PAFs are particularly popular with high net worth and ultra-high net worth individuals and families that want to be actively involved in their philanthropic endeavours.

2012-13 Deductible Giving to PAFs, PuAFs and other DGRs

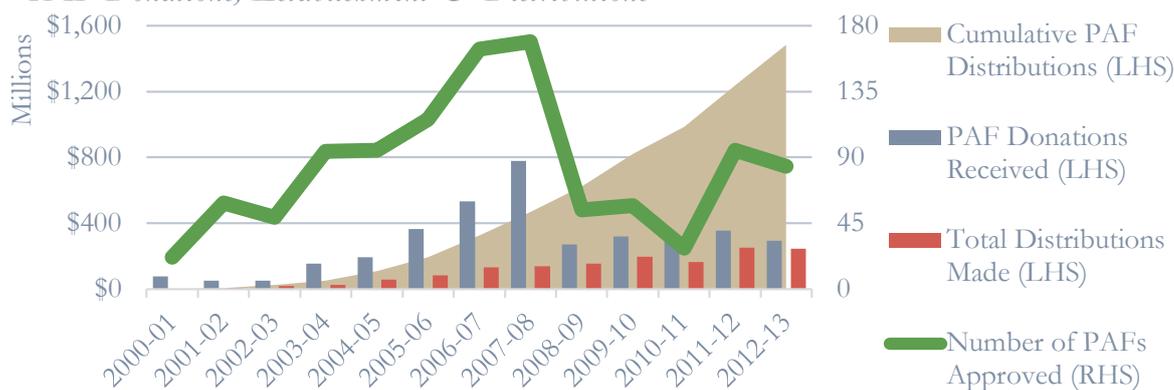


Source: ATO, Koda Capital

Private Ancillary Funds

In 2012-13, there were 84 PAFs established in Australia, down from 95 the year prior, an 11.6% decrease. The establishment of new PAFs has failed to reach its 2007-08 high of 169. Expansion was curtailed by regulatory uncertainty in relation to the way PAFs operate (since resolved, satisfactorily) and the effects of the Global Financial Crisis.

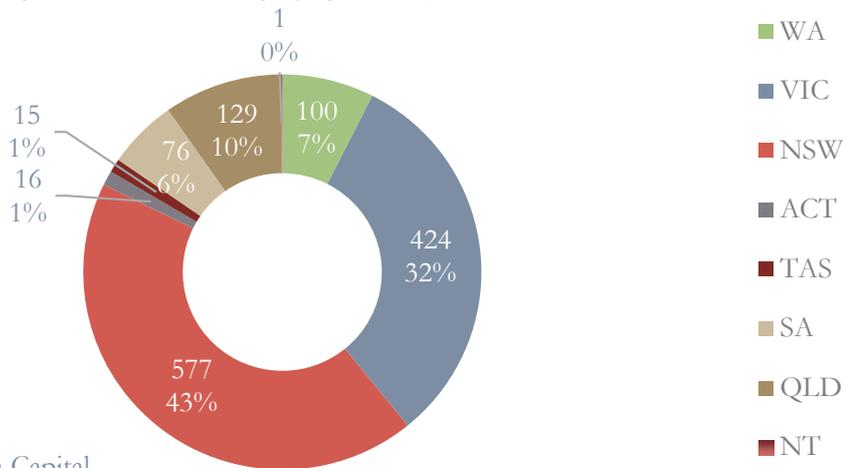
PAF Donations, Establishment & Distributions



Source: ATO, Koda Capital

In July 2015, there were 1,338 PAFs in Australia. The number of PAFs is growing, and the rate of growth has varied in recent years. According to the Australian Business Register (ABR) 153 PAFs were granted DGR status in 2013-14 and 125 were set up in 2014-15 - a significant improvement on the years between 2008 & 2013. New South Wales is the main home for PAFs, with over 577 established in the state - followed by Victoria with 424. Koda expects steady but unspectacular growth in coming years.

PAFs Established by State & Territory (July 2015)
Total 1,338

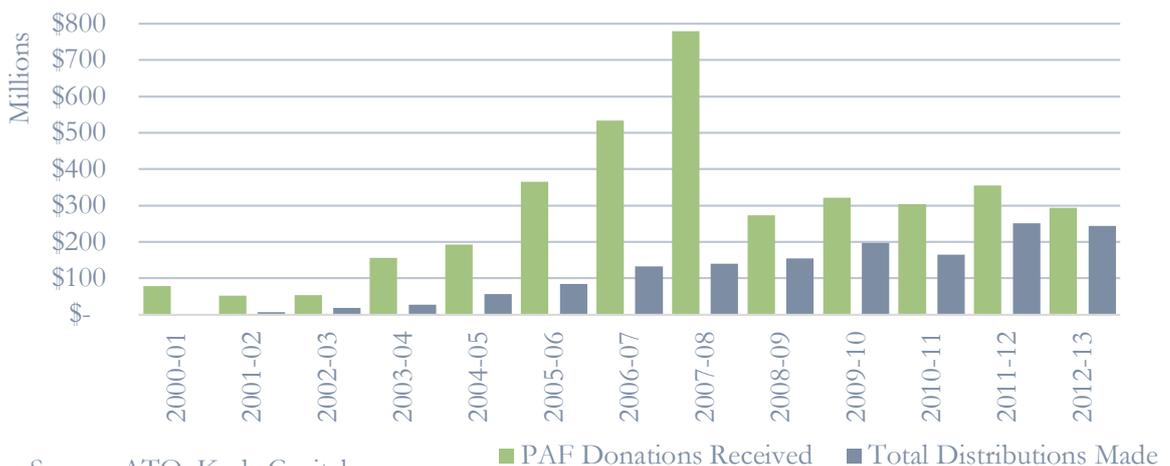


Source: ABR, Koda Capital

The amount donors will gift to PAFs is harder to predict. Economic and market conditions, fluctuating annual incomes and asset sale prices all have a significant impact on the amount people are willing and able to donate.

The financial power of a PAF stems from the ability to grow the value of its endowment in real terms through investment, whilst simultaneously distributing annual grants to preferred charities. PAF trustees can invest donated assets in a tax-friendly environment, conducive to growth and donations can be invested (in perpetuity) without the need to draw on capital or pay tax on income or capital gains. Provided a growth focus can be maintained, the endowment can grow along with the amount distributed annually. Although PAFs have only been in existence since 2001, we are starting to see the way in which a growing PAF endowment pool results in strong distribution growth. The chart below shows the steady growth in distributions from PAFs to eligible charities.

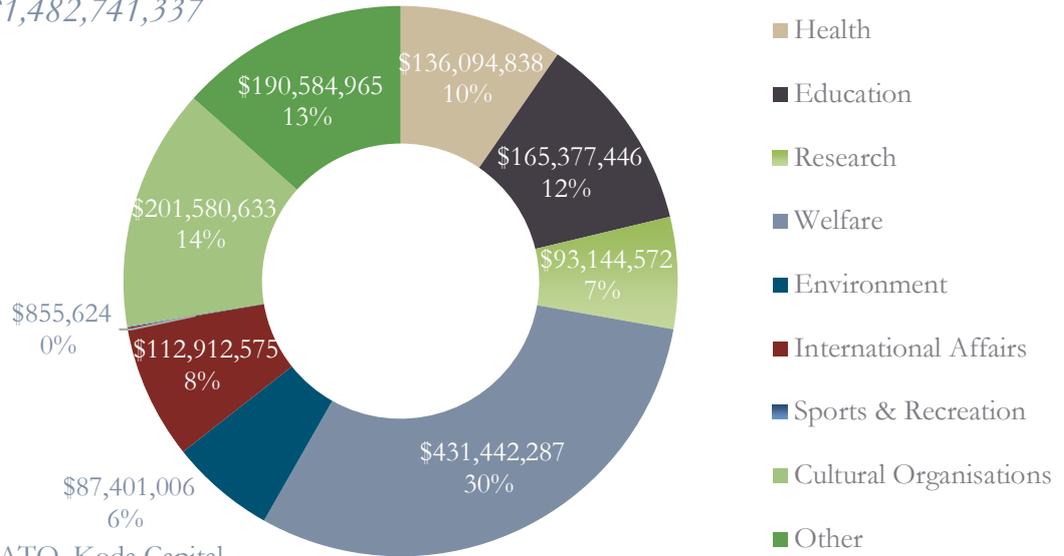
PAF Donations Received and Distributions Made



Source: ATO, Koda Capital

Since the establishment of PAFs in 2001, over \$1.4 billion dollars has been distributed to Australian charities. \$3.8 billion has been donated into PAFs over the same period.

2001-02 to 2012-13 PAF Distributions
Total \$1,482,741,337

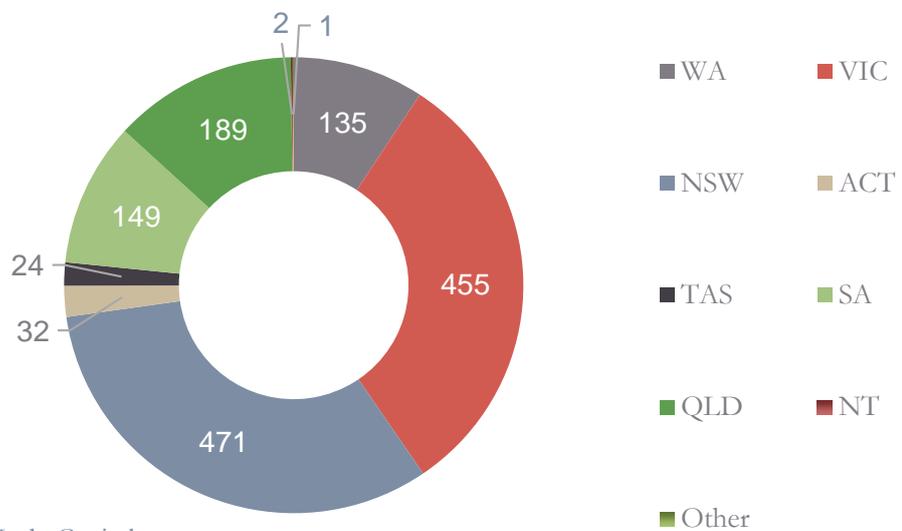


Source: ATO, Koda Capital

Public Ancillary Funds

According to the ABR, in July 2015 there were 1,458 PuAFs Australia wide. The ATO has reported a steady flow of new PuAFs being established with 101 in 2011-12 and 99 in 2012-13. The ABR data indicates that 61 new PuAFs were established in 2014-15 and 91 in 2013-14, suggesting a drop-off in the growth of new entities. Like PAFs, New South Wales is the home for PuAFs, with over 471 established there - followed by Victoria with 455.

PuAFs Established by State & Territory (as at July 2015)
Total 1,458



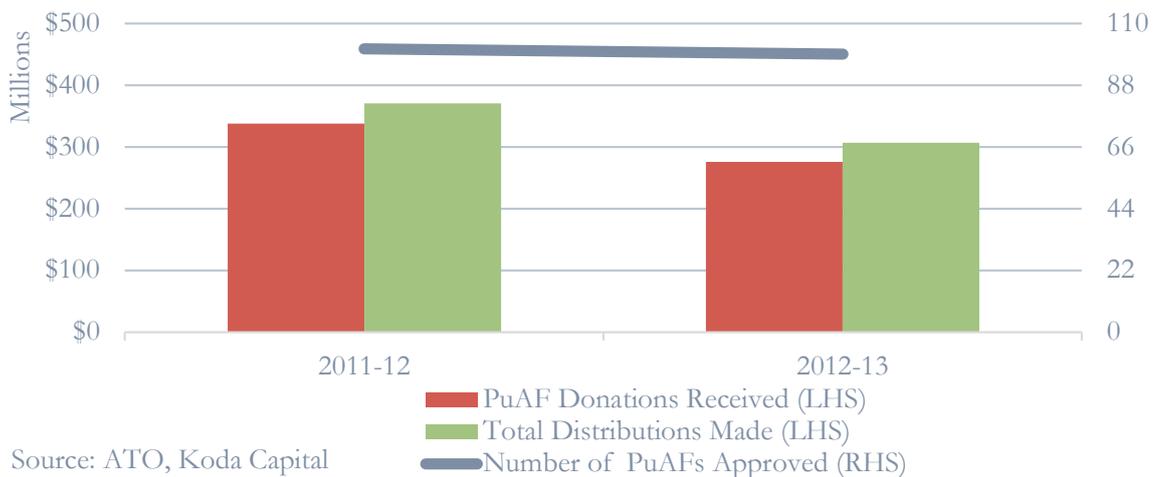
Source: ABR, Koda Capital

PuAFs are used in a variety of different ways. PuAFs are the structure behind most Community Foundations and Charitable Endowment Funds, both of which offer ‘sub-funds’ for individual

donors. Charities, corporates, schools and even celebrities use them to establish foundations. PuAFs are a versatile vehicle for encouraging giving.

The chart below shows that in 2011-12 and 2012-13 PuAFs distributed more to charity than they received in donations; despite PuAFs having a minimum annual distribution level of 4% of the fund value. One key difference between a PuAF and PAF is that PuAFs must fundraise from the public, whereas PAFs cannot. Many PuAFs are established as flow through vehicles, such as disaster funds. They raise money from the public, offering tax-deductions, and pass that money onto eligible charities. Therefore, it is not surprising that in some years PuAFs distribute more than they receive in donations. Unfortunately, between 2011-12 and 2012-13, donations received into PuAFs were down 18.4% to \$275.4 million and distributions made to charities were down 17.3% to \$306.3 million. Koda believes that PuAFs in the form of Community Foundations and Charitable Endowment Funds have the potential to substantially grow philanthropy as an accessible, flexible and effective form of structured giving.

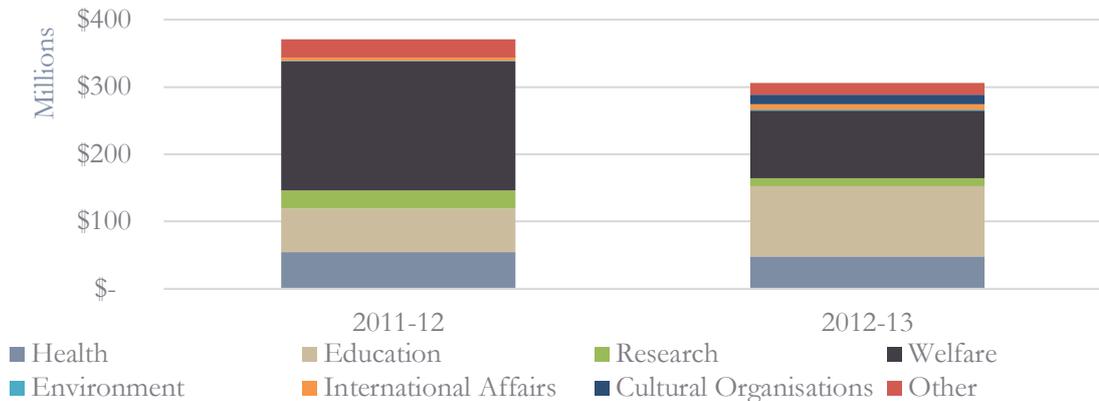
PuAF Donations, Establishment & Distributions



Source: ATO, Koda Capital

In 2011-12, Welfare was the big winner when it came to distributions from PuAFs, receiving 51.9% (\$192 million) of all distributions. In 2012-13, this number fell dramatically to 32.9% of distributions (\$100.7 million). Education benefited from the adjustment, receiving 34.2% (\$104.8 million) from the 2012-13 distribution – a significant increase from 2011-12.

PuAF Distributions



Source: ATO, Koda Capital

Why Give?

The Case for Giving

‘We make a living by what we get, but we make a life by what we give.’ –
Winston Churchill

Churchill defined the *significance* of giving. But, what are some of the *reasons* for giving? This section of the Review lists, in no particular order, a few ideas for consideration.

Many of the reasons listed below relate to giving financially. However, Churchill’s words resonate, like the quote below from Nelson Mandela, because they speak to the concept of giving in its broadest sense. When reading this list we encourage you to bear in mind giving can take many forms, often grouped together as time, talent and treasure; or work, wisdom and wealth. Regardless of how you define giving, we hope this section of the Review provides food for thought and stimulus for action.

‘It is what difference we have made in the lives of others that will determine the significance of the life we lead’ – Nelson Mandela

Reasons to think about giving:

It makes you happier - the Harvard Business School Working Paper *Feeling Good About Giving* (Dunn, et al, 2008), presented ‘research from a variety of samples and methods demonstrating that happier people give more, that giving indeed causes increased happiness, and that these two relationships may operate in a circular fashion.’

It can help give you a sense of purpose, meaning or significance – making a difference can make a real difference to how you feel about yourself.

There is a clear need – despite concerted efforts there is still poverty in the world, mental health is emerging as a key concern, the environment needs protecting, cancers and other diseases continue to cause great suffering and the world faces innumerable other challenges. Philanthropy cannot be expected to address these challenges alone, but it can play a significant strategic, symbolic and catalytic role in making ours a better world.

It is a way to help strengthen your community – the act of giving is a glue that binds people within a community together. At a time when the idea of community seems to be under threat in Australia, giving in its broadest sense is an effective way to build strong and meaningful links between people and places.

It is a way to use your skills and experiences for good – many Australians aspire to help others and what better way is there to help by putting to good use skills and experiences that may be valuable to those in need.

You can support a cause you are passionate about – giving takes on a whole new meaning when what you give to really matters to you. If you are passionate about something that has affected your life, then giving can be a very effective way to make a difference.

You can help others who do not have the same opportunities you have – anyone who appreciates the chances they have had can see the value in creating similar opportunities for those less fortunate.

You can give opportunities to others that you were denied yourself– conversely, anyone who appreciates how life could have been easier had certain opportunities been open to them may be inclined to make those opportunities available to others.

It is one way to show leadership – if you have the right motivation, it is not arrogant to be vocal about your giving; and it might encourage others to think about giving as well.

Giving is one way to address social stratification – effectively redistributing private wealth can help close the gap between the haves and the have-nots.

You can take advantage of available tax concessions – gifts over \$2 are tax-deductible in Australia. For those considering some form of structured giving, bear in mind that gifts to PAFs, PuAFs, Community Foundations and other tax-exempt trusts, can also be invested to grow without the impost of income tax and capital gains tax.

It can also be fun – every day social entrepreneurs are dreaming up new ways for you to have fun while doing good. Getting involved and enjoying it can be a major motivator.

Through giving, you can meet interesting people - they may be inspirational, like-minded people, or, if you are lucky, people who are not like-minded at all.

Giving represents a real opportunity to gain knowledge, insight and perspective – gaining an appreciation of something new or challenging can be a reward for giving in itself.

It can benefit your family – many families use giving as a reason to get together, to talk about important things and to educate children. In the United States a survey of Fidelity Charitable Giving donors found 94% agreed or strongly agreed with the statement ‘I am teaching or have taught my children to give’.

Giving is an opportunity to honour someone important– another way to give with purpose is to give in memory of someone you love and respect.

And finally, for some, the act of giving might be seen as a moral responsibility:

‘If life happens to bless you with talent or treasure, you have a responsibility to use those gifts as well and as widely as you possibly can’ – Bill Gates

Case Study: Giving While Living – the Story of Chuck Feeney and The Atlantic Philanthropies

As this Review goes to print, Koda Capital is partnering with US-based The Atlantic Philanthropies in a series of events across Australia exploring the role of philanthropy in fostering positive innovation and change. The events will allow Australians to reflect on Atlantic’s philanthropic investments in Australia (completed in 2013) and to learn about and explore Chuck Feeney’s philosophy and practice of *Giving While Living*.

Chuck Feeney established The Atlantic Philanthropies in 1982. Since then the foundation has distributed a staggering \$A10 billion dollars worldwide. In Australia alone, Atlantic has distributed approximately \$A590 million. By successfully leveraging this money, Atlantic has secured millions more from local government and non-government funders—estimated by some sources to be as high as a total of \$A2 billion. By any measure, Atlantic’s contribution in Australia has been impressive.

Mr. Feeney is surely the most significant philanthropic donor in Australia. But why is an American billionaire relevant to a conversation about growing giving in Australia?

Atlantic’s President & CEO Christopher G. Oechsli explains the universal nature of Chuck Feeney’s philosophy:

“Investments (in physical capital) by Chuck and Atlantic have always been about the people who dreamed them and who inhabit them: the leaders, innovators, scientists, educators, medical doctors, nurses, students and patients. In Australia, he met inspiring people like Brisbane’s then Lord Mayor Jim Soorley and John Hay, then vice-chancellor of the University of Queensland. Professor Hay’s passion for a proposed molecular bioscience institute so impressed Chuck that he quickly committed AUD\$10 million to launch it.

“The possibility of transforming Queensland into a Smart State was just the type of big bet that excites Chuck. It was also similar to the work he had initiated in Ireland to develop a knowledge economy, by increasing the capacity of all universities there to do research. As in Ireland, another motivator was the willingness of state and federal officials to partner in contributing to the growth of the nascent biomedical field.

“Chuck is often quoted as saying, ‘Good buildings for good minds can make a big difference in the lives of a lot of people.’ He sees buildings as the incubators of change, and that has certainly been true in Queensland, Victoria, New South Wales and Tasmania. Now that our grant making has come to an end in Australia, we hope that Atlantic’s work might lay foundations for change and motivate Australians and others to engage similarly in improving lives and communities, in ways that will affect states and the entire nation.”

Chuck Feeney's Story & Philosophy

Atlantic is a limited life foundation that received its money from Charles Francis “Chuck” Feeney and his family. Chuck was born into an Irish-American family of modest means in Elizabeth, New Jersey, during the Great Depression. Later, he co-created the world’s largest and most successful duty-free retailer and in turn spawned successful investments in other global enterprises, through his business vehicle the General Atlantic Group. Investments ranged from Pacific resorts to early U.S. internet technology companies, and a lot in between. But that was just a platform for his life’s work.

Chuck Feeney believes fervently that people who have been fortunate enough to amass great wealth should use it for a greater good. So, he established The Atlantic Philanthropies in the quest for visible improvements in the human condition, which is his measurement for rate of return on the foundation’s investments. Atlantic has made grants focused on promoting education, health, research, peace, reconciliation and human dignity—primarily in Australia, Bermuda, Northern Ireland, the Republic of Ireland, South Africa, the United States and Viet Nam. In the mid-1980s, Chuck quietly transferred virtually all of his family’s assets to The Atlantic Philanthropies. For the first half of its history, all grants were made anonymously.

Through Atlantic, Chuck Feeney, who is well known for his personal frugality, has made big investments in real time, to help solve today’s urgent problems so they are less likely to become larger, more entrenched and more expensive challenges later. They have ranged from kick-starting biomedical research in four states in Australia to rebuilding the primary health care in eight provinces of Viet Nam, to helping create a knowledge economy in the Republic of Ireland, to bringing antiretroviral drugs to millions living with HIV in South Africa. The ripples of jobs, innovation, cultural energy, health and connectedness are all part of answering Chuck’s perennial question about return on philanthropic investment: “What do we have to show for it?”

It is not in Chuck’s character to take credit. He knows opportunities and achievements are due to many people. No buildings bear Chuck’s name, he has been known to insist that if a name is to appear somewhere on a plaque or honor roll it be the name of another donor who was willing to take Chuck’s challenge to contribute in a big way. In Australia, one example is Clive Berghofer who joined with Atlantic to support the QIMR Berghofer Medical Research Institute and Clive Berghofer Cancer Research Centre.

Chuck Feeney’s philosophy of Giving While Living was an inspiration for the Giving Pledge, an initiative created by Warren Buffett and Bill and Melinda Gates to persuade many of the world’s wealthiest people to give the majority of their wealth to philanthropy. Mr. Feeney signed the Giving Pledge February 2011, even though he had already transferred virtually all of his and his family’s assets to Atlantic over 25 years earlier. Andrew and Nicola Forrest of Perth were Australia’s first signatories to the Giving Pledge.

In keeping with his philosophy, he and Atlantic hope to inspire individuals at varying levels of wealth to embrace Giving While Living: To approach philanthropy as a calling to which they can, during their lifetimes, actively devote their funds, skills and time, and receive enormous satisfaction in the process. In Australia, Chuck helped to establish Giving While Living networks in Tasmania and New South Wales. To these ends, Atlantic will become the largest foundation in history to conclude its grant making in its donor’s lifetime by making its final grants by the end of 2016.

Growing Giving in Australia

Having earlier put forward reasons why we should give more, it is worth spending some time on how we might grow giving in Australia.

In answering the question of ‘how’ we are limited only by our imagination. The list of items set out in this section of the Review is not exhaustive, nor is it intended to be a blueprint for guaranteed success. Rather, it should be seen as a list of possibilities. In offering this list, we aim to share some of our ideas (in no particular order) to stimulate further thinking and discussion among people who care about giving.

How to grow giving – possibilities to explore:

Dispel the myth that giving is only for rich people – the word *philanthropy* can be unhelpful, leading people to think that giving is just for the wealthy. Literally, the word means ‘a love of mankind’. We can all be philanthropists.

Start them early – primary school programs that enable children to learn about giving would be a very positive form of early intervention that offers the potential to form lifetime habits. Building the base of the giving pyramid is important, especially in a country where the proportion of the population claiming a tax-deductible gift to charity has gone sideways over the last thirty years. Building on this idea, incorporating topics such as social enterprise and shared value into secondary and tertiary education could be enormously beneficial and would have the potential to help produce a different breed of citizens and corporate leaders.

Retain and strengthen the Australian Charities and Not-for-Profits Commission – the national regulator has survived a threat to its very existence and is increasingly acting as an effective regulator and educator. A strong regulator will increase trust and confidence in the charity sector – and can help educate givers, which is a worthy end in itself.

Establish a national lottery – in a country of gamblers, it would surely work. More importantly, it would provide a sustainable source of revenue for the community sector. Lottery West in WA provides an Australian precedent of sorts: Lottery West (re)distributed \$283 million dollars to the community last year; and The National Lottery in the UK distributes £34 million per week.

Promote PAFs to the people who advise wealthy clients - Many PAF founders heard about the opportunity to establish one through their investment adviser, lawyer or accountant, yet most professional advisers still lack the knowledge and confidence to talk to their clients about philanthropy and structured giving.

Promote PuAFs (Charitable Endowment Funds & Community Foundation) as an alternative form of structured giving – most people cannot afford to establish a PAF, but many Australians are affluent enough to organise their giving through a tax-effective and useful vehicle that offers many of the benefits of a PAF, with less of the commitment. The potential for growth in this area is significant, if the United States experience is anything to go by. The Fidelity Charitable Giving 2014 report showed that the company has been able to attract 104,000 donor clients since first offering its product – akin to Australia’s PuAF - in 1991. Since then (to December 2013) client funds invested in the product have generated US\$2.9 billion in additional growth. In other words, the funds donated into the PuAF-like product grew by US\$2.9 billion just by being invested. These

funds will help increase the level of distributions from the product to eligible charities, which totaled US\$2.1 billion in 2014 alone.

Introduce Charitable Remainder Trusts (CRTs) to Australia – CRTs are tax-exempt irrevocable trusts designed to promote giving whilst reducing the taxable income of individuals by first distributing income to the beneficiaries of the trust for a specified period of time and then donating the remainder of the trust to the designated charity. CRTs allow people to commit their capital to charities in advance whilst living off the income.

Support the development of impact investing and social enterprise – both of these concepts offer people new ways to support social causes, through their investment and consumption decisions. At the same time they represent opportunities to create new and sustainable revenue streams for people and organisations tackling social issues in innovative ways. As the distinction between business, charity and government continues to blur, we are witnessing the emergence of innovative models that blend the best of all three. Young Australians in particular seem drawn to the idea that work, service and passion for a cause can co-exist and in Koda’s view this represents a movement worthy of support.

Governments and corporates can have a profound impact through adopting socially-minded procurement policies. Groups like Social Traders have developed platforms and resources to assist in this process.

Expand existing ‘rounding’ programs - Rounding, in this context, is where someone paying a bill agrees to increase the bill to the nearest dollar (or by a dollar, etc.) on the basis the extra money will fund a charity or charities. High volume transactional businesses and agencies offer the most potential. For example, what if all ATO payments allowed taxpayers to opt-in to such a scheme, or if all credit card bills were rounded up to the nearest dollar, or all major supermarkets offered a similar scheme. What if frequent flyer programs offered members an opportunity to stream a fraction of their entitlements to a charity program? The possibilities are virtually endless.

Introduce ‘Post Code Giving’ – imagine local councils agreeing to match giving by residents, up to a capped amount, for local community projects that residents and councils work on together. Potentially, this initiative could even be funded by the National Lottery scheme suggested above.

Build technology platforms to facilitate skilled volunteering – Australia prides itself on being a nation of volunteers. Technology can do for volunteering what online dating sites have done for lonely hearts.

Engage the population at all levels - everyone has the power to be a philanthropist. Our most heroic philanthropists aren’t necessarily those that give the most; they may be those that give the largest proportion of what they have, financially and otherwise. In order to grow philanthropy we need to be educating the broader population about the benefits and joys of giving. We need to convince the vast majority of taxpayers that philanthropy is actually an exchange of value.

Generally speaking, the more engaged the philanthropy, the more an individual gets in return for their gift. Giving can involve learning about causes and those addressing them, witnessing the impact of the gift, evaluating where the gift will be most effective and having fun. More opportunities to partake in engaged philanthropy at an accessible level are required.

Promote collective giving – where giving is enjoyable, creative and sociable. There is plenty of scope to follow the lead of Australian groups like 10x10, Good Pitch, The Funding Network and the thriving Impact100 collective.

Help charities to communicate their value - Many fail to understand that charities require investment just like any other enterprise. Operating on the sniff of an oily rag is not something to aspire to. Well-funded charities are stronger and more sustainable. And investment extends beyond funding immediate need. The reality is, in order to deliver results, charities generally need to invest in people, systems and infrastructure. Funding only the end product (in other words ‘making sure my money goes to the people who need it’) is naive. Charities are not cash dispensers; their value often lies in the work they do, not in the money they distribute. This work needs to be paid for.

That said, most charities also have a problem. Many Australians believe charities are inefficient, their overheads are excessive and they waste money. Shouldn’t government pay for these programs anyway?

Charities have a job to do, and it involves convincing (potential) funders they do good work that represents value for money. To do this they have to develop a strong brand and identity and they also have to prove their impact.

Everyone is waiting for charities to prove their impact. But how does a charity prove its impact when it cannot easily be measured in dollars and cents? And how does a charity measure its impact if the people that fund it will only fund what goes directly to ‘those in need’?

A very real opportunity exists for funders, from the private, corporate and government sectors, to help charities demonstrate their impact by funding their ability to prove it.

Conclusion

In many respects the Australian giving picture is not encouraging. Tax-deductible giving is hardly growing, the proportion of people claiming a gift remains stagnant (and well off its 1985-86 30 year high), volunteering levels have dipped and the Australian Government has cut spending on foreign aid and development. However, the number of individuals claiming a tax-deductible gift in their tax return – one of the key measures used to gauge giving by Australians – does not tell the full story, especially as new styles of giving emerge and the line between profit and not-for-profit continues to blur.

There are bright spots in the picture, too. PAFs are beginning to show just how significant a source of philanthropic funding they will be in decades to come. The re-establishment of the Prime Minister's Community Business Partnership offers the real prospect of fresh ideas and incentives to grow philanthropy and impact investment. Additionally the incidence of big, public gifts is increasing, to the point where the fabled 'culture of philanthropy' may actually be taking root.

It is also important to put Australia's position in perspective. Australia was ranked sixth out of 135 countries in CAF's 2014 World Giving Index. Not the best result we could have hoped for, but far from the worst.

To conclude, Koda believes the focus should not be on whether Australians are generous. In fact that is the wrong question. Generosity is not a national character trait, it is more a product of a society's origins, the role private citizens expect government to play in society and the result of incentives put in place to promote giving. In a country like Australia incentives matter more than questions about national generosity or the existence of the aforementioned culture of philanthropy.

Therefore, we should focus our energy and imagination on the benefits of giving and the opportunities we have to grow giving - in all its forms - an outcome that can ultimately produce better Australians and a better Australia.

How to use this Review

- Share it with your friends and family
- Give it to your Philanthropy and Fundraising teams
- Provide a copy to your Board
- Share it with your Fundraising Committee
- Invite Koda's Philanthropy & Social Capital team in to discuss it with your Board or Leadership Team
- Share it with your donors and supporters
- Provide a copy to staff or board members new to the non-profit sector
- Share it on social media or refer to it in a media release
- Invite us to speak at an event, conference or function.

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Chris has a decade of experience in financial services, working predominantly with high-net-worth individuals, corporations, and charitable institutions. Chris is responsible for bringing philanthropic opportunities and solutions to clients. He also provides strategic advice to charitable and non-profit organisations in relation to their governance, endowment practices, capacity building, sustainability, and donor relations activity.

Prior to joining Koda Capital, Chris was a Director of JBWere's Philanthropic Services team. Chris sits on the Board of the Reach Foundation and is a Founding Committee Member of Impact100Melbourne. Further to this Chris also Chairs the Reach Foundation's Fundraising Sub-Committee and sits on their Impact Sub-Committee. Chris holds a Masters of Commercial Law, Bachelor of Business (Economics & Finance), and a Diploma in Financial Planning.

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About Koda Capital

At Koda Capital we are taking an innovative approach to wealth management - an approach that puts your needs first. We are proud to be pioneers, offering professional services unencumbered by pre-existing ownership structures and practices. Our sole focus is giving our clients tailored financial solutions that are well-informed, independent, and transparent.

We act as an investment adviser to philanthropic, charitable and non-profit organisations. We go beyond the provision of tailored investment services, to provide expert advice on best practice, governance, regulation, investment strategy and relevant trends in the sector.

Koda's Commitment to Clients

- We will always be independent, and free from conflicts of interest that could affect our advice.
- We will always put our clients' best interests ahead of any other considerations, particularly in respect of any investment or product we recommend.
- We will agree, in writing, the services we will provide and deliver those services to the standards we promise. Our clients will have access to the best solutions available not just a list of solutions restricted by commercial relationships.
- We will only earn fees which are paid directly and transparently by our clients, and if we were to receive any commissions they will be fully rebated to our clients for their benefit. We will detail the basis on which the fees are charged and will discuss them with clients at any time. Clients have – and will always have – full discretion to choose the type of fee structure that works best for them: be that on a fee-for-service basis, transaction basis, or asset basis. We believe that as advisers we should be rewarded according to the strength of our client relationships and the success of our financial strategies, not by our ability to promote specific products.

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